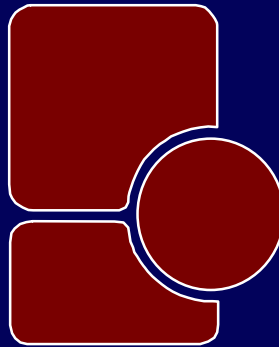


**Joint Legislative Audit and Review Commission
of the Virginia General Assembly**



**Interim Report: Review of the
Virginia Housing Development Authority**

**Staff Briefing
December 13, 1999**

Introduction

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Staff for this study:

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Study Mandate

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- **HJR 731 directs JLARC staff to evaluate whether VHDA is addressing the housing needs of low and moderate income Virginians and is administering its programs in accordance with statutory intent, including:**
 - **VHDA's administration of the federal Section 8 program in Virginia, and**
 - **The performance, operation, management, and organization of the Authority**

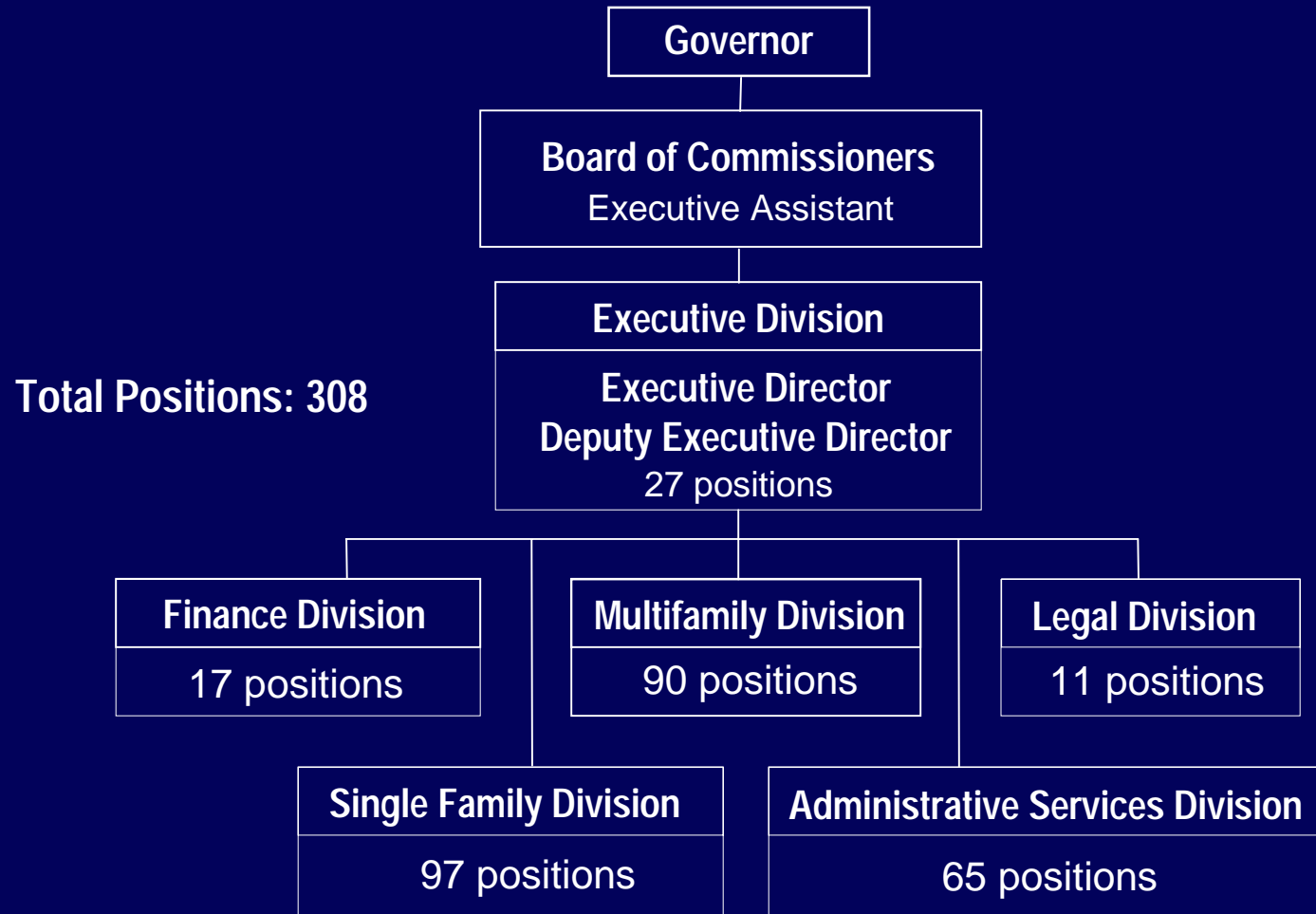
Statutory Mission

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- VHDA was established by the General Assembly in 1972 as the State's housing finance agency
- Section 36-55.25 of the *Code of Virginia*, states that VHDA was created to encourage investment of private capital, stimulate the construction and rehabilitation of residential housing, and provide construction and mortgage loans, in order to provide an adequate supply of sanitary and safe affordable housing
- VHDA operates as an independent authority and does not receive State general funds

Organizational Structure

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VHDA Financing

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- VHDA finances housing programs primarily from the issuance of three types of bonds: (1) tax exempt, (2) taxable, and (3) refunding
- VHDA generates most of its revenue by making mortgage loans from the proceeds of bond sales at a higher interest rate than the yield it pays investors
- The only major program administered by VHDA that receives State or federal appropriations to fund administrative costs is the Section 8 program

VHDA Financing

(continued)

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- **VHDA receives high bond issuer ratings by Standard & Poor's and Moody's Investors Service**
- **The Authority's current bond resolutions also receive high ratings by Standard & Poor's and Moody's**
- **In the past many of the bond issues were secured by the Commonwealth moral obligation pledge, however VHDA no longer secures its bond issues with the State's pledge**

Shortage of Affordable Housing

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- **Two recent studies have examined the extent to which housing needs of lower income families are being met in Virginia:**
 - **1999 study by the National Low Income Housing Coalition found that Virginia has the highest percentage of renters (53 percent) that are unable to afford the fair market rent for a 2-bedroom apartment**
 - **1997 study by the Virginia Center for Housing Research at Virginia Tech found that low income Virginians were paying an average of 51 percent of their incomes for rent**

VHDA Mandated to Serve Low and Moderate Income Households

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Categories of Income Generally Used by HUD and VHDA

<u>Income Level</u>	<u>Percent of Median Income</u>	<u>Range for Family of Four in Richmond</u>
Moderate	81-115%	\$46,210 - \$66,010
Low	51-80%	\$28,990 - \$46,200
Very Low	31-50%	\$17,510 - \$28,980
Poverty	30% or below	\$0 - \$17,500

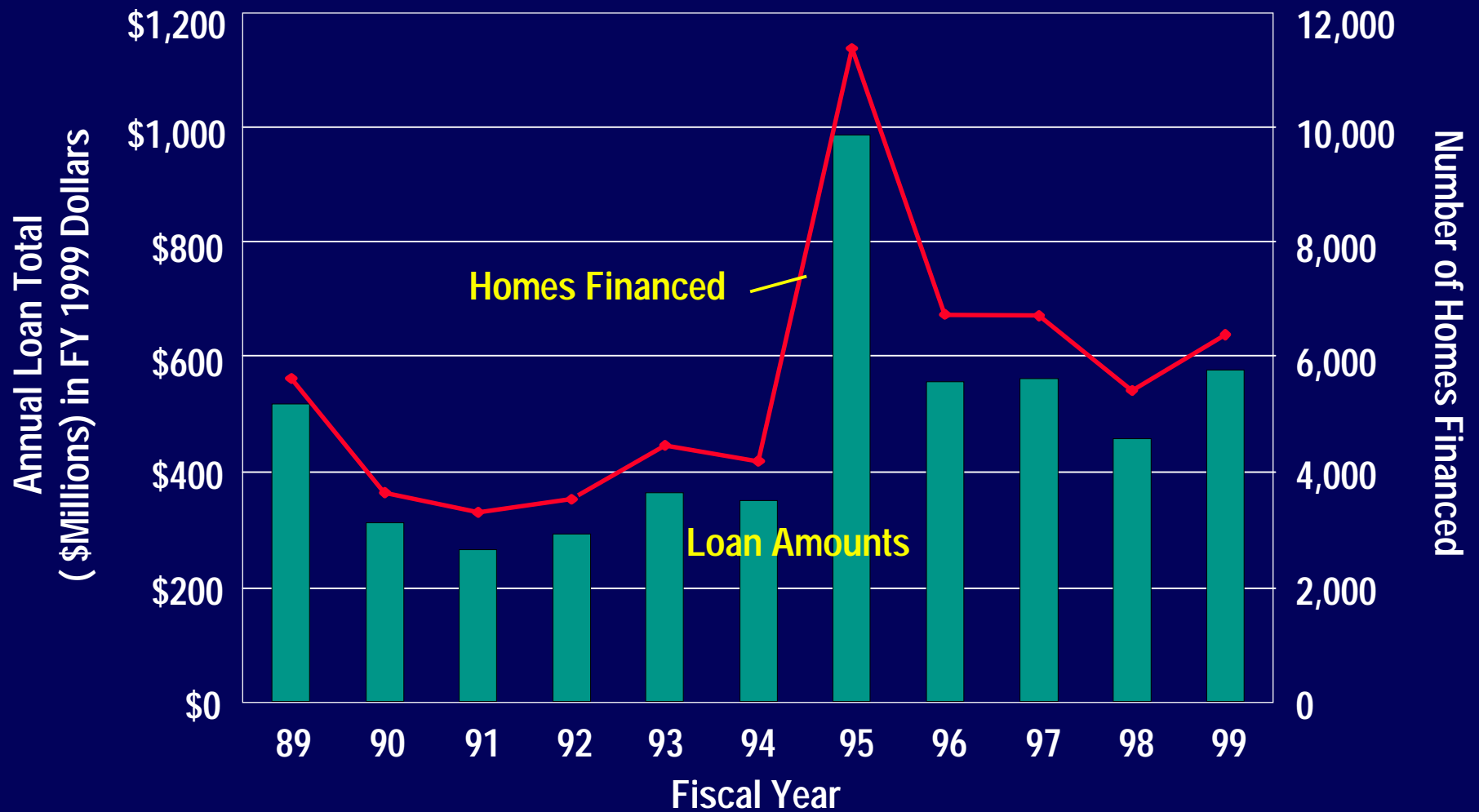
Single Family Loan Program

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- VHDA's single family loan program provides loans to first-time home buyers at interest rates lower than the rates offered by private lending institutions
- VHDA offers standard 30-year fixed rate mortgages as well as programs that reduce the interest rate in the first two years of the loan but then raise the rate for the remainder of the mortgage loan
- Most VHDA single family loans are originated and serviced by private lenders

Single Family Loan Production

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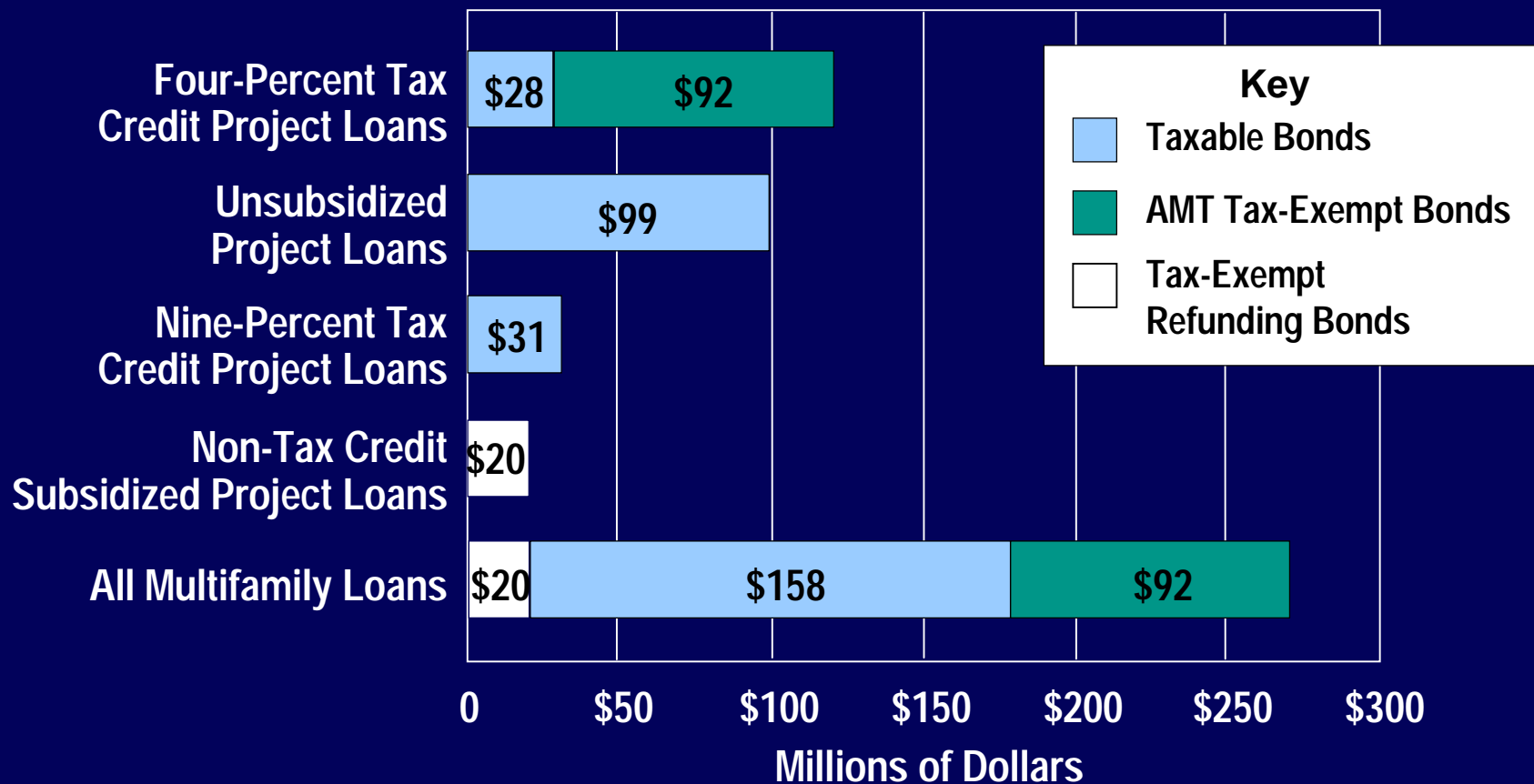
Multifamily Loan Program

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- **VHDA's multifamily program provides three major types of financial support to for-profit and non-profit developers to build and rehabilitate multifamily housing for low and moderate income families:**
 - **Loans from tax-exempt bond funds which may be combined with four-percent federal tax credits**
 - **Loans from taxable bond funds**
 - **Nine-percent federal tax credits**
- **Projects receiving loans from tax-exempt bond proceeds and nine-percent tax credits have specific low income tenant requirements**

Sources of Multifamily Loan Program Funds for FY 99

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Section 8 Program

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- **VHDA administers a major portion of the Section 8 funds that are allocated to Virginia by the U.S. Department of Housing and Urban Development**
- **Section 8 program provides federal rental assistance to reduce the rent burden for very low income and poverty level households**
- **Section 8 assistance is provided through both project-based and tenant-based programs**

Section 8 Program

(continued)

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- Approximately 13,000 project-based Section 8 rental units are administered through VHDA and owners of these units received approximately \$77 million in subsidy payments in FY 1999
- Approximately 13,000 families received tenant-based Section 8 subsidies totaling \$63 million in FY 1999
- VHDA provides technical assistance, monitors program compliance, and disburses the rental subsidies for the tenant-based Section 8 program, while 75 local agents conduct most of the day-to-day administration

Virginia Housing Fund

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- VHDA established the Virginia Housing Fund (VHF) in 1987 to better meet housing needs in hard-to-serve situations or locations
- As of June 30, 2000, the VHF will have a cumulative capitalization of \$171 million, and VHDA's goal is to contribute \$20 million to the fund annually over the next four years
- In recent years, about two-thirds of VHF funds have been used for low interest loans for single family home ownership, with remaining funds provided to finance multifamily developments

Other Entities Are Involved in the Provision of Affordable Housing

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- Numerous other entities are also involved in the provision of affordable housing and impact the mission of VHDA:
 - Federal, State, and local agencies administer programs that provide affordable housing
 - For-profit developers develop most of the multifamily projects financed by VHDA
 - Non-profit organizations are actively involved in the provision of affordable housing

Report Schedule

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- JLARC staff will continue the review of VHDA over the next several months
- The findings of this review will be presented in a final report in the spring or summer of 2000